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## SENATE BILL No. 622

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### DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-3.5-1.1.

**Synopsis:** CAGIT distributions. Distributes county adjusted gross income tax (CAGIT) revenue to civil taxing units and school corporations according to formulas modified to remove from the calculations lease and debt service payments associated with leases or debt obligations entered into after June 30, 2005. Makes related changes.

**Effective:** January 1, 2006.

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January 24, 2005, read first time and referred to Committee on Tax and Fiscal Policy.

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Introduced

First Regular Session 114th General Assembly (2005)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2004 Regular Session of the General Assembly.

## SENATE BILL No. 622

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 6-3.5-1.1-12 IS AMENDED TO READ AS  
2 FOLLOWS [EFFECTIVE JANUARY 1, 2006]: Sec. 12. (a) The part  
3 of a county's certified distribution for a calendar year that is to be used  
4 as property tax replacement credits shall be allocated by the county  
5 auditor among the civil taxing units and school corporations of the  
6 county.

7 (b) Except as provided in section 13 of this chapter, the amount of  
8 property tax replacement credits that each civil taxing unit and school  
9 corporation in a county is entitled to receive during a calendar year  
10 equals the ~~product~~ **amount determined in STEP EIGHT of the**  
11 **following formula:**

12 **(+) STEP ONE: Determine** that part of the county's certified  
13 distribution that is dedicated to providing property tax  
14 replacement credits for that same calendar year. ~~multiplied by~~

15 **(2) a fraction: (A) the numerator of the fraction equals STEP**  
16 **TWO: Determine the sum of the following:**

17 **(A) The total property taxes being collected by the civil taxing**



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unit or school corporation during that calendar year. ~~plus~~

(B) With respect to a civil taxing unit, the amount of federal revenue sharing funds and certified shares received by ~~it~~ **the civil taxing unit** during that calendar year to the extent that they are used to reduce its property tax levy below the limit imposed by IC 6-1.1-18.5 for that same calendar year.

**STEP THREE: Determine the part of the STEP TWO amount used, or to be used, during that same calendar year for the following:**

(A) Payments of principal of or interest on any debenture or other debt obligation issued by the civil taxing unit or school corporation after June 30, 2005, other than an obligation described in subsection (d).

(B) Payments on any lease entered into by the civil taxing unit or school corporation after June 30, 2005, other than a lease described in subsection (e).

**STEP FOUR: Subtract the STEP THREE amount from the STEP TWO amount.**

~~(B) The denominator of the fraction equals STEP FIVE:~~  
**Determine the sum of the following for that same calendar year:**

(A) The total property taxes being collected by all civil taxing units and school corporations. ~~plus~~

(B) The amount of federal revenue sharing funds and certified shares received by all civil taxing units in the county to the extent that they are used to reduce the civil taxing units' property tax levies below the limits imposed by IC 6-1.1-18.5 for that same calendar year.

**STEP SIX: Determine that part of the STEP FIVE amount used, or to be used, during that same calendar year for the following:**

(A) Payments of principal of or interest on any debenture or other debt obligation issued by all civil taxing units and school corporations in the county after June 30, 2005, other than an obligation described in subsection (d).

(B) Payments on any lease entered into by all civil taxing units and school corporations in the county after June 30, 2005, other than a lease described in subsection (e).

**STEP SEVEN: Subtract the STEP SIX amount from the STEP FIVE amount.**

**STEP EIGHT: Multiply the STEP ONE amount by the STEP FOUR amount and divide the product by the STEP SEVEN**

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1           **amount.**

2           (c) The department of local government finance shall provide each  
3 county auditor with the amount of property tax replacement credits that  
4 each civil taxing unit and school corporation in the auditor's county is  
5 entitled to receive. The county auditor shall then certify to each civil  
6 taxing unit and school corporation the amount of property tax  
7 replacement credits it is entitled to receive (after adjustment made  
8 under section 13 of this chapter) during that calendar year. The county  
9 auditor shall also certify these distributions to the county treasurer.

10           **(d) Except as provided in this subsection, payments of principal**  
11 **of and interest on a debenture or debt obligation by a civil taxing**  
12 **unit or school corporation during a calendar year are not included**  
13 **in the amounts determined in subsection (b) STEP THREE, clause**  
14 **(A) or subsection (b) STEP SIX, clause (A) if:**

15               (1) the debt obligation was issued; and

16               (2) the proceeds appropriated;  
17 **to refund or otherwise refinance a debt obligation or a lease issued**  
18 **before July 1, 2005. However, payments related to a debt**  
19 **obligation issued after June 30, 2005, are included in the amounts**  
20 **determined in subsection (b) STEP THREE, clause (A) or**  
21 **subsection (b) STEP SIX, clause (A) to the extent that the debt**  
22 **extends payments on a debt or lease beyond the time in which the**  
23 **debt or lease would have been payable if the debt or lease had not**  
24 **been refinanced or increases the total amount that must be paid on**  
25 **a debt or lease in excess of the amount that would have been paid**  
26 **if the debt or lease had not been refinanced.**

27           **(e) Except as provided in this subsection, payments on a lease by**  
28 **a civil taxing unit or school corporation during a calendar year are**  
29 **not included in the amounts determined in subsection (b) STEP**  
30 **THREE, clause (B) or subsection (b) STEP SIX, clause (B) if the**  
31 **lease was issued to refinance a debt obligation or lease issued**  
32 **before July 1, 2005. However, payments related to a lease entered**  
33 **into after June 30, 2005, are deducted to the extent that the lease**  
34 **extends payments on a debt or lease beyond the time in which the**  
35 **debt or lease would have been payable if the debt or lease had not**  
36 **been refinanced or increases the total amount that must be paid on**  
37 **a debt or lease in excess of the amount that would have been paid**  
38 **if the debt or lease had not been refinanced.**

39           SECTION 2. IC 6-3.5-1.1-13 IS AMENDED TO READ AS  
40 FOLLOWS [EFFECTIVE JANUARY 1, 2006]: Sec. 13. (a) If a civil  
41 taxing unit or school corporation of an adopting county does not  
42 impose a property tax levy that is first due and payable in a calendar

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year in which property tax replacement credits are being distributed, that civil taxing unit or school corporation is entitled to receive a proportion of the property tax replacement credits to be distributed within the county. The amount such a civil taxing unit or school corporation is entitled to receive during that calendar year equals the ~~product~~ **amount determined in STEP EIGHT of the following formula:**

~~(1)~~ **STEP ONE: Determine** the part of the county's certified distribution that is to be used to provide property tax replacement credits during that calendar year. ~~multiplied by~~

~~(2) a fraction: (A) The numerator of the fraction equals STEP TWO: Determine~~ the budget of that civil taxing unit or school corporation for that calendar year.

**STEP THREE: Determine the sum of the following for that calendar year:**

(A) Amounts appropriated to pay the principal of or interest on any debenture or other debt obligation issued after June 30, 2005, by the civil taxing unit or school corporation, other than an obligation described in subsection (c).

(B) Amounts appropriated to make payments on any lease entered into after June 30, 2005, by the civil taxing unit or school corporation, other than a lease described in subsection (d).

(C) The proceeds of any property that is:

(i) received as the result of the issuance of a debt obligation described in clause (A) or a lease described in clause (B); and

(ii) appropriated for any purpose other than to refund or otherwise refinance a debt obligation or lease described in subsection (c) or (d).

**STEP FOUR: Subtract the STEP THREE amount from the STEP TWO amount.**

~~(B) The denominator of the fraction equals STEP FIVE: Determine~~ the aggregate budgets of all civil taxing units and school corporations of that county for that calendar year.

**STEP SIX: Determine the sum of the following for that calendar year:**

(A) Amounts appropriated to pay the principal of or interest on any debenture or other debt obligation issued after June 30, 2005, for all civil taxing units and school corporations of that county, other than an obligation

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described in subsection (c).

(B) Amounts appropriated to make payments on any lease entered into after June 30, 2005, for all civil taxing units and school corporations of that county, other than a lease described in subsection (d).

(C) The proceeds of any property that is:

(i) received as the result of the issuance of a debt obligation described in clause (A) or a lease described in clause (B); and

(ii) appropriated for any purpose other than to refund or otherwise refinance a debt obligation or lease described in subsection (c) or (d).

**STEP SEVEN: Subtract the STEP SIX amount from the STEP FIVE amount.**

**STEP EIGHT: Multiply the STEP ONE amount by the STEP FOUR amount and divide the product by the STEP SEVEN amount.**

(b) If for a calendar year a civil taxing unit or school corporation is allocated a proportion of a county's property tax replacement credits by this section then the formula used in section 12 of this chapter to determine all other civil taxing units' and school corporations' property tax replacement credits shall be changed for that same year by reducing the amount dedicated to providing property tax replacement credits by the amount of property tax replacement credits allocated under this section for that same calendar year. The department of local government finance shall make any adjustments required by this section and provide them to the appropriate county auditors.

(c) Except as provided in this subsection, an appropriation to repay interest and principal of a debt obligation is not deducted from the operating budget of a civil taxing unit or school corporation if:

(1) the debt obligation was issued; and

(2) the proceeds appropriated;

to refund or otherwise refinance a debt obligation or a lease issued before July 1, 2005. However, an appropriation related to a debt obligation issued after June 30, 2005, is deducted to the extent that the debt extends payments on a debt or lease beyond the time in which the debt or lease would have been payable if the debt or lease had not been refinanced or increases the total amount that must be paid on a debt or lease in excess of the amount that would have been paid if the debt or lease had not been refinanced.

(d) Except as provided in this subsection, an appropriation to

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make payments on a lease is not deducted from the operating budget of a civil taxing unit or school corporation if the lease was issued to refinance a debt obligation or lease issued before July 1, 2005. However, an appropriation related to a lease entered into after June 30, 2005, is deducted to the extent that the lease extends payments on a debt or lease beyond the time in which the debt or lease would have been payable if the debt or lease had not been refinanced or increases the total amount that must be paid on a debt or lease in excess of the amount that would have been paid if the debt or lease had not been refinanced.

SECTION 3. IC 6-3.5-1.1-15 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2006]: Sec. 15. (a) As used in this section, "attributed levy" of a civil taxing unit means the ~~sum~~ **amount determined in STEP THREE of the following formula:**

**STEP ONE: Determine the sum of the following for a calendar year:**

~~(1)~~ **(A)** The ad valorem property tax levy of the civil taxing unit that is currently being collected at the time the allocation is made. ~~plus~~

~~(2)~~ **(B)** The current ad valorem property tax levy of any special taxing district, authority, board, or other entity formed to discharge governmental services or functions on behalf of or ordinarily attributable to the civil taxing unit. ~~plus~~

~~(3)~~ **(C)** The amount of federal revenue sharing funds and certified shares that were used by the civil taxing unit (or any special taxing district, authority, board, or other entity formed to discharge governmental services or functions on behalf of or ordinarily attributable to the civil taxing unit) to reduce its ad valorem property tax levies below the limits imposed by IC 6-1.1-18.5. ~~plus~~

~~(4)~~ **(D)** In the case of a county, an amount equal to the property taxes imposed by the county in 1999 for the county's welfare fund and welfare administration fund.

**STEP TWO: Determine the sum of the following for a calendar year:**

**(A) Payments of principal of or interest on any debenture or other debt obligation issued by the civil taxing unit described in STEP ONE, clause (A) after June 30, 2005, other than an obligation described in subsection (e).**

**(B) Payments of principal of or interest on any debenture or other debt obligation issued after June 30, 2005, by the special taxing districts, boards, authorities, or other**

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entities described in STEP ONE, clause (B), other than an obligation described in subsection (e).

(C) Payments on any lease entered into after June 30, 2005, by the civil taxing unit described in STEP ONE, clause (A), other than a lease described in subsection (f).

(D) Payments on any lease entered into after June 30, 2005, by the special taxing districts, boards, authorities, or other entities described in STEP ONE, clause (B), other than a lease described in subsection (f).

**STEP THREE: Subtract the STEP TWO amount from the STEP ONE amount.**

(b) The part of a county's certified distribution that is to be used as certified shares shall be allocated only among the county's civil taxing units. Each civil taxing unit of a county is entitled to receive a percentage of the certified shares to be distributed in the county equal to the ratio of its attributed levy to the total attributed levies of all civil taxing units of the county.

(c) The local government tax control board established by IC 6-1.1-18.5-11 shall determine the attributed levies of civil taxing units that are entitled to receive certified shares during a calendar year. If the ad valorem property tax levy of any special taxing district, authority, board, or other entity is attributed to another civil taxing unit under subsection (b)(2), then the special taxing district, authority, board, or other entity shall not be treated as having an attributed levy of its own. The local government tax control board shall certify the attributed levy amounts to the appropriate county auditor. The county auditor shall then allocate the certified shares among the civil taxing units of the auditor's county.

(d) Certified shares received by a civil taxing unit shall be treated as additional revenue for the purpose of fixing its budget for the calendar year during which the certified shares will be received. The certified shares may be allocated to or appropriated for any purpose, including property tax relief or a transfer of funds to another civil taxing unit whose levy was attributed to the civil taxing unit in the determination of its attributed levy.

**(e) Except as provided in this subsection, payments of principal of and interest on a debenture or debt obligation by a civil taxing unit or school corporation during a calendar year are not included in the amounts determined in subsection (a) STEP TWO, clause (A) or subsection (a) STEP TWO, clause (B) if:**

- (1) the debt obligation was issued; and
- (2) the proceeds appropriated;

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1 to refund or otherwise refinance a debt obligation or a lease issued  
 2 before July 1, 2005. However, payments related to a debt  
 3 obligation issued after June 30, 2005, are included in the amounts  
 4 determined in subsection (a) STEP TWO, clause (A) or subsection  
 5 (a) STEP TWO, clause (B) to the extent that the debt extends  
 6 payments on a debt or lease beyond the time in which the debt or  
 7 lease would have been payable if the debt or lease had not been  
 8 refinanced or increases the total amount that must be paid on a  
 9 debt or lease in excess of the amount that would have been paid if  
 10 the debt or lease had not been refinanced.

11 (f) Except as provided in this subsection, payments on a lease by  
 12 a civil taxing unit or school corporation during a calendar year are  
 13 not included in the amounts determined in subsection (a) STEP  
 14 TWO, clause (C) or subsection (a) STEP TWO, clause (D) if the  
 15 lease was issued to refinance a debt obligation or lease issued  
 16 before July 1, 2005. However, payments related to a lease entered  
 17 into after June 30, 2005, are deducted to the extent that the lease  
 18 extends payments on a debt or lease beyond the time in which the  
 19 debt or lease would have been payable if the debt or lease had not  
 20 been refinanced or increases the total amount that must be paid on  
 21 a debt or lease in excess of the amount that would have been paid  
 22 if the debt or lease had not been refinanced.

23 SECTION 4. [EFFECTIVE JANUARY 1, 2006] IC 6-3.5-1.1-12,  
 24 IC 6-3.5-1.1-13, and IC 6-3.5-1.1-15, all as amended by this act,  
 25 apply to distributions of county adjusted income tax revenue that  
 26 are made after December 31, 2005.

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